



**WildeandCompany**  
*Chartered Accountants*

POST OFFICE BOX 70  
VEGREVILLE, ALBERTA T9C 1R1  
TELEPHONE (780) 632-3673  
FAX (780) 632-6133  
WEBSITE [www.wildeandco.com](http://www.wildeandco.com)

## AUDITORS' REPORT

To the Board of Directors of the  
Community Futures St. Paul-Smoky Lake Region

We have audited the statement of financial position of the Community Futures St. Paul-Smoky Lake Region as at March 31, 2010 and the statements of changes in fund balances, operations and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

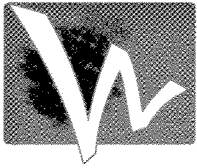
We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2010 and the results of its operations and changes in fund balances, and changes in cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements for the year ended March 31, 2009 were audited by another accounting firm.

Vegreville, Alberta  
May 5, 2010

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**AUDITORS' REPORT  
ON COMPLIANCE WITH AGREEMENT**

To Western Economic Diversification Canada

We have audited the Community Futures St. Paul-Smoky Lake Region's compliance as at March 31, 2010 with the criteria established in the Contribution Agreement between Western Economic Diversification Canada and the Community Futures of St. Paul-Smoky Lake Region dated May 5, 2010 and the interpretation of the Agreement. Compliance with the criteria established by the provisions of the agreement is the responsibility of the Board of Directors of the Community Futures St. Paul-Smoky Lake Region. Our responsibility is to express an opinion on this compliance based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the Community Futures St. Paul-Smoky Lake Region complied with the criteria established by the provisions of the agreement referred to above. Such an audit includes examining, on a test basis, evidence supporting compliance, evaluating the overall compliance with the agreement, and where applicable, assessing the accounting principles used and significant estimates made by management.

In our opinion, the Community Futures St. Paul-Smoky Lake Region is in compliance, in all material respects with the criteria established by the Contribution Agreement.

Vegreville, Alberta  
May 5, 2010

*Wilde & Company*  
Chartered Accountants

Community Futures St. Paul-Smoky Lake Region  
Statement of Financial Position  
As at March 31, 2010

	Investment Funds		Disabled	Operating General Fund	
	Non-Repayable	Payable			
	\$	\$	\$	\$	\$
<b>ASSETS</b>					
Current Assets					
Petty cash	-	-	-	300	300
Bank	233,101	71,203	126,230	49,823	361,764
Investments - Note 3	-	-	150,000	30,000	650,000
GST receivable	-	-	-	2,226	5,812
Accrued interest receivable	393	118	425	46	22,530
Prepaid expenses	-	-	-	4,977	4,968
Inter-fund receivable	-	-	-	-	66,000
Current portion of investment funds	112,075	79,437	-	-	259,980
<b>Total current assets</b>	<b>345,569</b>	<b>150,758</b>	<b>276,655</b>	<b>87,372</b>	<b>1,371,354</b>
Capital assets - Note 4					
				6,234	26,677
Other Assets					
Long term investments - Note 3	50,000	15,000	25,000	-	120,000
Investment loans receivable	964,831	813,191	-	-	1,290,730
Less: allowance for credit losses - Note 5	(13,529)	(15,266)	-	-	(20,054)
Less: current portion	(112,075)	(79,437)	-	-	(259,980)
<b>Total other assets</b>	<b>889,227</b>	<b>733,488</b>	<b>25,000</b>	<b>-</b>	<b>1,130,696</b>
<b>TOTAL ASSETS</b>	<b>1,234,796</b>	<b>884,246</b>	<b>301,655</b>	<b>93,606</b>	<b>2,528,727</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Current Liabilities					
Accounts payable and accrued liabilities	-	-	-	10,160	15,185
Inter-fund payable	-	-	-	-	66,000
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,160</b>	<b>81,185</b>
Fund Balances					
Invested in capital assets	-	-	-	6,234	26,677
Unrestricted	-	-	-	77,212	48,004
Externally restricted net assets (Note 6)	1,234,796	884,246	301,655	-	2,372,861
<b>TOTAL FUND BALANCES</b>	<b>1,234,796</b>	<b>884,246</b>	<b>301,655</b>	<b>83,446</b>	<b>2,447,542</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>1,234,796</b>	<b>884,246</b>	<b>301,655</b>	<b>93,606</b>	<b>2,528,727</b>

See accompanying notes

Community Futures St. Paul-Smoky Lake Region  
 Statement of Changes in Fund Balances  
 For the year ended March 31, 2010

	Non-Repayable	Loan Investment Funds Repayable	Disabled	Operating General Fund	2010	2009
	\$	\$	\$	\$	\$	\$
Balances, beginning of year	1,194,429	878,717	299,715	74,680	2,447,541	2,366,166
Excess (deficiency) of revenue over expenses for the year	52,867	5,529	1,940	(3,734)	56,602	92,147
Inter-fund transfer	(12,500)	-	-	12,500	-	-
Year end adjustment	-	-	-	-	-	(10,771)
<b>Balances, end of year</b>	<b>1,234,796</b>	<b>884,246</b>	<b>301,655</b>	<b>83,446</b>	<b>2,504,143</b>	<b>2,447,542</b>

**Community Futures St. Paul-Smoky Lake Region**  
**Statement of Operations**  
**For the year ended March 31, 2010**

	Non-Repayable \$	Loan Investment Funds Repayable \$	Disabled \$	Operating General Fund \$	2010 \$	2009 \$
<b>REVENUE</b>						
W.E.D. contribution	-	-	-	294,963	294,963	289,179
Community Futures (RCED)	-	-	-	5,773	5,773	22,956
Bank interest	(3,231)	(17)	1,940	280	(1,028)	20,247
Investment income	63,640	42,765	-	-	106,405	100,077
Other revenues	-	-	-	11,418	11,418	13,757
Client loan fees	-	-	-	7,375	7,375	5,492
Service revenues	-	-	-	2,348	2,348	4,164
	<b>60,409</b>	<b>42,748</b>	<b>1,940</b>	<b>322,157</b>	<b>427,254</b>	<b>455,872</b>
<b>EXPENDITURES</b>						
Salaries and benefits	-	-	-	174,611	174,611	186,914
RCED Project	-	-	-	11,420	11,420	25,244
<u>Professional Expenses</u>						
Accounting	-	-	-	4,286	4,286	5,570
Audit	-	-	-	8,400	8,400	16,347
Legal and appraisal fees	4,992	916	-	173	6,081	1,602
<u>Administration</u>						
Advertising and promotion	-	-	-	11,645	11,645	10,357
Bank charges	26	278	-	1,468	1,772	1,257
Board member expenses	-	-	-	13,165	13,165	14,508
Staff expenses	-	-	-	19,577	19,577	23,186
Video conferencing	-	-	-	5,629	5,629	5,119
Insurance	-	-	-	2,604	2,604	2,592
Office expenses	-	-	-	7,342	7,342	16,542
Memberships	-	-	-	463	463	1,495
Non-refundable GST	-	-	-	1,739	1,739	2,336
Rent	-	-	-	31,164	31,164	28,000
Telephone/utilities	-	-	-	11,762	11,762	12,447
Provision for investment losses	2,524	36,025	-	-	38,549	(10,854)
Amortization	-	-	-	20,443	20,443	21,063
	<b>7,542</b>	<b>37,219</b>	<b>-</b>	<b>325,891</b>	<b>370,652</b>	<b>363,725</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>52,867</b>	<b>5,529</b>	<b>1,940</b>	<b>(3,734)</b>	<b>56,602</b>	<b>92,147</b>

See accompanying notes



**Community Futures St. Paul-Smoky Lake Region**  
**Notes to Financial Statements**  
**For the year ended March 31, 2010**

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**1. PURPOSE OF ORGANIZATION**

The Community Futures St. Paul-Smoky Lake Region is a not-for-profit organization. The organization provides loans and financial services to small businesses that are otherwise unable to obtain financing. The organization is incorporated under the Alberta Companies Act.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue Recognition**

The Community Futures St. Paul-Smoky Lake Region follows the restricted method of accounting for contributions.

The General Fund accounts for the organization's operating costs and general revenues. This fund reports unrestricted resources and restricted operating grants.

The Loan Investment Fund reports restricted resources that are used for assistance to small businesses and entrepreneurs in the form of loans, loan guarantees or equity participation. Loans for the Loan Investment Fund for the Disabled are limited to businesses owned and operated by disabled entrepreneurs.

The organization is restricted in the types of loans that can be made according to its agreement with the Federal Government.

**b) Capital Assets**

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the assets estimated useful lives, which varies from three to five years. Amortization expense is reported in the General Fund.

**c) Financial Instruments**

The financial instruments of Community Futures St. Paul-Smoky Lake Region consist of cash and cash equivalents, investments, receivables and payables. Community Futures has chosen not to adopt CICA Handbook Sections 3862 and 3863 however, in accordance with Section 3855 (Financial Instruments - Recognition and Measurement) of the Canadian Institute of Chartered Accountants (CICA) handbook, these financial instruments are designated and measured as follows:

<b>Financial Instrument</b>	<b>Category</b>	<b>Measurement</b>
Cash and cash equivalents	Held-for-trading	Fair value
Investments	Held-to-maturity	Amortized cost
Loans receivable	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost

All financial instruments must initially be recognized at fair value on the statement of financial position. Subsequent measurement of the financial instruments is based on their category classification.

**Community Futures St. Paul-Smoky Lake Region**  
**Notes to Financial Statements**  
**For the year ended March 31, 2010**

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**2. SIGNIFICANT ACCOUNTING POLICIES - (continued)**

**d) Measurement Uncertainty**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**3. INVESTMENTS**

Redeemable Investments:

Maturity

June 25, 2010	ATB Financial GIC	0.20%	\$50,000
June 25, 2010	ATB Financial GIC	0.20%	\$50,000
June 25, 2010	ATB Financial GIC	0.20%	\$50,000
June 25, 2010	ATB Financial GIC	0.20%	\$20,000
June 25, 2010	ATB Financial GIC	0.20%	\$10,000

Non-Redeemable Investments:

January 10, 2011	ATB Financial GIC	3.50%	\$50,000
January 10, 2011	ATB Financial GIC	3.50%	\$15,000
January 10, 2011	ATB Financial GIC	3.50%	\$15,000
January 10, 2011	ATB Financial GIC	3.50%	\$10,000

**4. CAPITAL ASSETS**

	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>	<b>Net</b>
	<b>\$</b>	<b>Amortization</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Office equipment	31,151	29,081	<b>2,070</b>	7,089
Leasehold improvements	35,000	30,836	<b>4,164</b>	11,943
Computer equipment	40,331	40,331	-	7,645
	<b>106,482</b>	<b>100,248</b>	<b>6,234</b>	<b>26,677</b>

**Community Futures St. Paul-Smoky Lake Region**  
**Notes to Financial Statements**  
**For the year ended March 31, 2010**

**5. ALLOWANCE FOR CREDIT LOSS**

An allowance for losses on investment loans is made on expected loan default rates, potential loss ratios, and review of loan portfolios, as determined by management as follows:

	2009 Ending Balance \$	Write-offs, Net of Recoveries \$	Provision for Credit Losses \$	<b>2010 Ending Balance \$</b>
Loan Invest Investment Fund - Non-Repayable	11,128	-	2,401	<b>13,529</b>
Loan Investment Fund - Repayable	8,926	-	6,340	<b>15,266</b>

Actual write-offs, and net of recoveries, will be deducted from the allowance for credit losses. The provision for credit losses in the statement of operations and changes in fund balances is charged with an amount sufficient to keep the balance in the allowance for credit losses adequate to absorb all credit related losses.

**6. EXTERNALLY RESTRICTED NET ASSETS**

Major categories of externally imposed restrictions on net assets are as follows:

	2010 \$	2009 \$
Non-repayable investment	<b>1,234,796</b>	1,194,429
Repayable investment	<b>884,246</b>	878,717
Disabled investment	<b>301,655</b>	299,715
	<b>2,420,697</b>	2,372,861

The department of Western Economic Diversification Canada amended the terms and condition of its contribution agreement with the Corporation. Under the revised terms and conditions, the Conditionally Repayable Loan Investment funding of \$800,000 is repayable if any of the following conditions occur:

- a) The Conditionally Repayable Investment Fund is not administered according to the terms and conditions specified in this Agreement; or
- b) Based on the review and evaluations of the operations and the Conditionally Repayable Investment Fund is not providing a satisfactory level of benefits in terms of employment creation, the development of community-owned or controlled businesses, and strengthening of the western Canadian economy; or
- c) In the opinion of the Minister, the Conditionally Repayable Investment Fund is no longer necessary or relevant to the development of the western Canadian economy; or
- d) The agreement is terminated as described in Section 16; or
- e) An event of default occurs, as described in Section 17 of the Agreement; or
- f) The Minister does not approve terms and conditions to extend the project beyond March 31, 2010.

Community Futures St. Paul-Smoky Lake Region  
NOTES TO FINANCIAL STATEMENTS  
For the year ended March 31, 2010

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## 7. FINANCIAL INSTRUMENTS

### *Credit Risk*

Credit risk arises from the potential that a counter party will fail to perform its obligations. Community Futures are exposed to credit risk as they are in the business of lending out funds.

### *Fair Value*

Community Future's carrying value of cash and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.

## 8. LOANS RECEIVABLE

Outstanding loans to entrepreneurs are interest bearing at fixed rates varying from 0% to 15% with monthly blended principal and interest repayments amortized for terms between twelve and one hundred and twenty months. Security is taken on these loans as appropriate to the situation and may include personal guarantees, general security agreements covering business assets and mortgages on land and buildings.

## 9. INTER-FUND TRANSACTIONS

### a) Inter-fund transfer

In 2009, Western Economic Diversification Canada authorized a transfer of \$12,500 from the Investment Fund to the General Fund to be used for operating expenses. The transfer took place during the year.

### b) Inter-fund receivables/payables

The Disabled Investment Fund borrowed \$132,000 to the Non-Repayable Investment Fund in 2006. Western Economic Development approved these funds be repaid over four years. The first repayment of \$33,000 was made in May 2007. The second repayment of \$33,000 was made in June 2008. The third and fourth repayment of \$33,000 each were made during the year.

## 10. LEASE COMMITMENTS

The organization has leased office space under an annual lease with rental; payments of \$2,260 per month ending March 31, 2015.

## 11. ECONOMIC DEPENDENCE

The organization received 70% (2009 - 68%) of its operating revenues from the federal government and is economically dependent on these revenues.

## 12. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current year's presentation.

The financial statements for the year ended March 31, 2009 were audited by another accounting firm.